

**REPORT OF THE AUDIT OF THE
WHITLEY COUNTY
SHERIFF**

**For The Year Ended
December 31, 2000**



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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Michael Patrick, Whitley County Judge/Executive
Honorable Ancil L. Carter, Whitley County Sheriff
Members of the Whitley County Fiscal Court

The enclosed report prepared by Berger & Ross, PLLC, Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the Sheriff of Whitley County, Kentucky, for the year ended December 31, 2000.

We engaged Berger & Ross, PLLC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Berger & Ross, PLLC, evaluated the Whitley County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Enclosure



**AUDIT EXAMINATION OF THE
WHITLEY COUNTY SHERIFF**

Calendar Year 2000

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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE WHITLEY COUNTY SHERIFF

Calendar Year 2000

Berger & Ross, PLLC has completed the audit of the Whitley County Sheriff's audit for calendar year 2000. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presently fairly in all material respects.

Financial Condition:

Excess fees decreased by \$6,304 from the prior calendar year resulting in excess fees of \$0 as of December 31, 2001. Revenues increased by \$48,300 from the prior year and disbursements including unpaid obligations increased by \$84,407.

Debt Obligation:

The office of the County Sheriff entered into a promissory note, dated November 21, 2000 in the amount of \$40,000, which was due November 21, 2001. The Sheriff's office repaid \$9,000 during calendar year 2000, leaving a principal balance of 31,000 outstanding. The fiscal court approved the Sheriff's budget for calendar year 2001, which allowed the Sheriff to repay the loan from 2001 revenues. The remaining principal of \$31,000 and related interest was repaid with calendar year 2001 revenues.

Report Comments:

- The Sheriff's Office Should Not Have Had A Deficit Of \$29,803
- The Sheriff Should Annually Present A Statement Of Receipts And Disbursements To The Fiscal Court
- The Sheriff Should Maintain Sufficient Pledge Of Securities To Prevent Having Uninsured And Unsecured Deposits Totaling \$622,095
- The Sheriff Should Keep Accurate Classifications And Reconciliations Between The Books And Quarterly Reports

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Members of the American Institute of Certified Public Accountants (AICPA), the National Association of Public Accountants (NAPAs), the Kentucky Society of Certified Public Accountants (KSCPA), the American Society of Fraud Examiners (ASFE), and the International Association of Certified Fraud Examiners (IACFE).

To the People of Kentucky

Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Michael Patrick, Whitley County Judge/Executive
Honorable Ancil L. Carter, Whitley County Sheriff
Members of the Whitley County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Sheriff of Whitley County, Kentucky, for the year ended December 31, 2000. This financial statement is the responsibility of the Whitley County Sheriff. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Whitley County Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the receipts, disbursements and excess fees of the County Sheriff for the year ended December 31, 2000, in conformity with the modified cash basis of accounting.

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Michael Patrick, Whitley County Judge/Executive

Honorable Ancil L. Carter, Whitley County Sheriff

Members of the Whitley County Fiscal Court

Our audit was made for the purpose of forming an opinion on the financial statement taken as a whole. The accompanying schedule of excess of liabilities over assets is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly presented in all material respects in relation to the financial statement taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated August 14, 2002, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discuss the following report comments:

- The Sheriff's Office Should Not Have Had A Deficit Of \$29,803
- The Sheriff Should Annually Present a Statement of Receipts and Disbursements To The Fiscal Court
- The Sheriff Should Maintain Sufficient Pledge Of Securities To Prevent Having Uninsured And Unsecured Deposits Totaling \$622,095
- The Sheriff Should Keep Accurate Classifications and Reconciliations Between the Books And Quarterly Reports

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Berger & Ross", written in a cursive, flowing style.

Berger & Ross, PLLC

Audit fieldwork completed -
August 14, 2002

WHITLEY COUNTY
 ANCIL CARTER, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS AND EXCESS FEES

Calendar Year 2000

Receipts

Federal Payments:

Patrolling National Forest	\$	1,400
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State Grants:

Vehicle Grant	\$ 40,000	
Armor Grant	3,492	
KLEFPF	28,039	71,531

State Fees For Services:

Finance And Administrative Cabinet		10,847
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Circuit Court Clerk:

Sheriff's Security Fees	\$ 29,290	
Fines and Fees Collected	2,105	31,395

Fiscal Court:

Vehicle	\$ 14,000	
Bailiff	9,600	23,600

County Clerk:

Delinquent Taxes	\$ 7,936	
Election Commissioner	800	8,736

Commission on Taxes Collected

187,486

Sheriff's Fees on Taxes Collected:

10% Add-On Fee	\$ 22,678	
\$5 Fees	5,765	28,443

Fees Collected for Services:

Accident and Theft Reports	\$ 218	
Auto Inspections	11,230	
Other Service Fees	50	
Serving Papers	21,420	32,918

Other:

Bank Share Commissions	\$ 9,052	
Carrying Concealed Deadly Weapon Permits	14,613	
Contract Services	1,858	
Deputy Training	20,250	

WHITLEY COUNTY
 ANCIL CARTER, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS AND EXCESS FEES
 Calendar Year 2000
 (Continued)

Receipts (Continued)

Other: (Continued)

Guns and Radar	\$ 2,348	
Insurance Claims	6,739	
Miscellaneous	2,219	
Transport	8,711	
Vehicle Sale	<u>1,200</u>	66,990

Interest Earned		9,601
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Borrowed Money

Note	\$ 40,000	
State Advancement	<u>89,669</u>	<u>129,669</u>

Total Receipts		\$ 602,616
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Disbursements

Operating Disbursements:

Personnel Services:

Deputies' Gross Salaries	\$ 267,697
KLEFPF	23,787

Employee Benefits:

KLEFPF Hazardous Duty Retirement	4,097
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Material and Supplies:

Office Material and Supplies	3,851
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Automobile Expenses:

Gasoline	26,318
Maintenance and Repairs	16,646

Other:

Advertising	626
Body Armor	3,954
Bonds and Insurance	761
Carrying Concealed Deadly Weapon Permits	5,380
Dues	613
Miscellaneous	4,193
Postage	8,645
Telephone	1,819
Uniforms	6,617

WHITLEY COUNTY
 ANCIL CARTER, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS AND EXCESS FEES
 Calendar Year 2000
 (Continued)

Disbursements (Continued)

Capital Outlay:

Camera Equipment	\$	1,015	
Office Equipment		1,519	
Guns and Supplies		1,362	
Radio Equipment		6,003	
Vehicles		<u>53,617</u>	\$ 438,520

Debt Service:

State Advancement	\$	89,669	
Note Repayment		9,000	
Unpaid Obligations - Promissory Note (Note 5)		<u>31,000</u>	<u>129,669</u>

Total Disbursements and Unpaid Obligations			<u>\$ 568,189</u>
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Net Receipts			34,427
Less: Statutory Maximum	\$	63,542	
Less: Incentive Pay		<u>688</u>	<u>64,230</u>

Excess Fees Due County			<u><u>\$ 0</u></u>
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The accompanying notes are an integral part of the financial statements.

WHITLEY COUNTY
NOTES TO THE FINANCIAL STATEMENT

December 31, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statements have been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2000.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year. A schedule of excess of liabilities over assets is included in this report as a supplemental schedule. The schedule indicates the cumulative effect of prior year deficits under the respective fee official.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations back by good faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS) pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Non-hazardous covered employees are required to contribute 5.0 percent of their salary to the plan.

WHITLEY COUNTY
 NOTES TO THE FINANCIAL STATEMENT
 December 31, 2000
 (Continued)

Note 2. Employee Retirement System (Continued)

The county's contribution rate for non-hazardous employees was 7.28 percent for the first six months of the year, and 7.17 percent the last six months of the year. Hazardous covered employees are required to contribute 8.0 percent of their salary to the plan. The county's contribution rate for hazardous employees was 17.55 percent for the first six months and 16.28 percent for the last six months of the calendar year.

Benefits fully vest on reaching five years of service for non-hazardous employees. Aspects of benefits for non-hazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement System's annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The Sheriff entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of December 12, 2000, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$622,095 of public funds uninsured and unsecured.

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official at December 12, 2000.

Collateralized with securities held by pledging depository institution in the county official's name	\$2,110,930
FDIC Coverage	100,000
Uncollateralized and unsecured	<u>622,095</u>
Total	<u><u>\$2,833,025</u></u>

WHITLEY COUNTY
NOTES TO THE FINANCIAL STATEMENT
December 31, 2000
(Continued)

Note 4. Drug Account

During calendar year 2000, the Sheriff maintained a drug and alcohol fund. This fund was established in October of 1999. As of December 31, 1999 there was a balance of \$2,840. Receipts for calendar year 2000 totaled \$8,450, and disbursements of \$5,825, resulting in a balance at December 31, 2000, of \$5,465. This fund is not to be included in excess fees due to its intended purpose.

Note 5. Note Payable

The office of the County Sheriff entered into a promissory note, dated November 21, 2000 in the amount of \$40,000, which was due November 21, 2001. The Sheriff's office repaid \$9,000 during calendar year 2000, leaving a principal balance of 31,000 outstanding. The fiscal court approved the Sheriff's budget for calendar year 2001, which allowed the Sheriff to repay the loan from 2001 revenues. The remaining principal of \$31,000 and related interest was repaid with calendar year 2001 revenues.

Note 6. Excess of Allowable Expenditures Over Receipts as of December 31, 2000

During calendar year 2000, the County Sheriff's office fee account expended \$29,803 more of allowable expenditures than it received in fees and other revenue receipts. This fiscal condition resulted in the County Sheriff not properly receiving his full statutory maximum salary in accordance with the salary schedule set out in KRS 64.5275. KRS 64.535 states that "[t]he . . . sheriff shall . . . receive a monthly salary of one-twelfth (1/12) of the amount indicated by the salary schedule in KRS 64.5275." According to the state Department for Local Government (DLG), this statute requires the County Sheriff to receive his statutory maximum salary, even if his office fails to generate sufficient fees and other revenues to cover all allowable expenses of his office. It is further the opinion of DLG that it is the responsibility of the fiscal court, in a shortfall situation such as this, to provide additional funding to ensure that the Sheriff properly receives his maximum salary as mandated by statute. The fiscal court approved the Sheriff's budget for calendar year 2001, which allowed the Sheriff to repay the loan from 2001 revenues. The remaining principal of \$31,000 and related interest was repaid with calendar year 2001 revenues.

WHITLEY COUNTY
 ANCIL CARTER, SHERIFF
SCHEDULE OF EXCESS OF LIABILITES OVER ASSETS

As of December 31, 2000

Assets

Cash in Bank		\$	103,800
Deposits in Transit			35
Accounts Receivables-			
Commonwealth of Kentucky	\$	6,098	
Tax Commissions, Fees, and Interest		27,598	
Other Receivables		2,689	36,385
			<hr/>
Total Assets		\$	<u>140,220</u>

Liabilities

Outstanding Checks		\$	22,725
Obligations Paid After December 31, 2000:			
Kentucky State Treasurer-			
Repayment of State Advancement	\$	89,669	
Withholdings		2,911	
Other		560	
Other-			
Note Repayment		9,000	
Other Expenditures		14,158	
			<hr/>
Total Paid Obligations			116,298
Unpaid Obligations:			
Note Due Bank			<u>31,000</u>
Total Liabilities		\$	<u>170,023</u>
Total Fund Deficit as of December 31, 2000		\$	<u><u>29,803</u></u>

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COMMENTS AND RECOMMENDATIONS

WHITLEY COUNTY
ANCIL CARTER, SHERIFF
COMMENTS AND RECOMMENDATIONS

Calendar Year 2000

STATE LAWS AND REGULATIONS:

1) The Sheriff's Office Should Not Have Had A Deficit Of \$29,803

There were not sufficient funds to cover liabilities, which caused a deficit of \$29,803 as of December 31, 2000. The Sheriff entered into a promissory note for \$40,000, and repaid \$9,000 during calendar year 2000, leaving a principal balance of 31,000 outstanding. The fiscal court then approved the Sheriff's budget for calendar year 2001, which allowed the Sheriff to repay the loan from 2001 revenues. The remaining principal of \$31,000 and related interest were repaid with calendar year 2001 revenues. We recommend that the Sheriff make every effort to pay liabilities from the account for the year in which they are assumed.

Sheriff's Response:

Will Take Care Of.

2) The Sheriff Should Annually Present A Statement Of Receipts And Disbursements To The Fiscal Court

Pursuant to KRS 134.310 the Sheriff should present a settlement to the Fiscal Court. The Sheriff should also present the fee account settlement to the Fiscal Court prior to publication.

Sheriff's Response:

Will Take Care Of.

3) The Sheriff Should Maintain Sufficient Pledge Of Securities To Prevent Having Uninsured And Unsecured Deposits Totaling \$622,095

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Depository Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41240 (4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The Sheriff entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of December 12, 2000, the collateral and FDIC insurance together did not equal or exceed the amount on deposit leaving \$622,095 of public funds uninsured and unsecured. We recommend that the Sheriff require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

Sheriff's Response:

Will Take Care Of.

WHITLEY COUNTY
ANCIL CARTER, SHERIFF
COMMENTS AND RECOMMENDATIONS
Calendar Year 2000
(Continued)

STATE LAWS AND REGULATIONS: (Continued)

4) The Sheriff Should Keep Accurate Classifications And Reconciliations Between The Books And
Quarterly Reports

The Sheriff should prepare accurate classifications on financial reports and keep consistent financial records. The Sheriff should prepare an accurate 4th Quarter Financial Statement. The Sheriff's Receipts and Disbursements Ledgers should match the 4th Quarter Financial Statement with few adjustments. The Sheriff may find it helpful to create additional accounts, such as travel, to assist in minimizing miscellaneous classifications.

Sheriff's Response:

Will Take Care Of.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



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Attention:
We are currently seeking qualified individuals for the following positions: *Senior Accountant, Tax Manager, Audit Manager, and Internal Auditor.* If you are interested in any of these positions, please send your resume and salary history to: *lrsscree@msn.com*

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Honorable Ancil L. Carter, Whitley County Sheriff
Members of the Whitley County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of receipts, disbursements, and excess fees of the Whitley County Sheriff for the year ended December 31, 2000, and have issued our report thereon dated August 14, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Whitley County Sheriff's financial statement for the year ended December 31, 2000, is free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying comments and recommendations.

- The Sheriff's Office Should Not Have Had A Deficit Of \$29,803
- The Sheriff Should Annually Present A Statement Of Receipts And Disbursements To The Fiscal Court
- The Sheriff Should Maintain Sufficient Pledge Of Securities To Prevent Having Uninsured And Unsecured Deposits Totaling \$622,095
- The Sheriff Should Keep Accurate Classifications And Reconciliations Between The Books And Quarterly Reports

Report on Compliance and Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Whitley County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Berger & Ross", with a long horizontal flourish extending to the right.

Berger & Ross, PLLC

Audit fieldwork completed -
August 14, 2002

